



WEEKLY ECONOMIC DIGEST

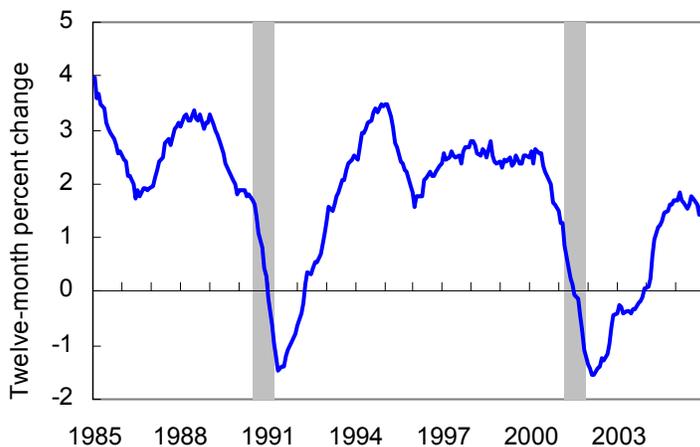


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

January 10, 2006

Job Growth Slowed in December After November Spurt

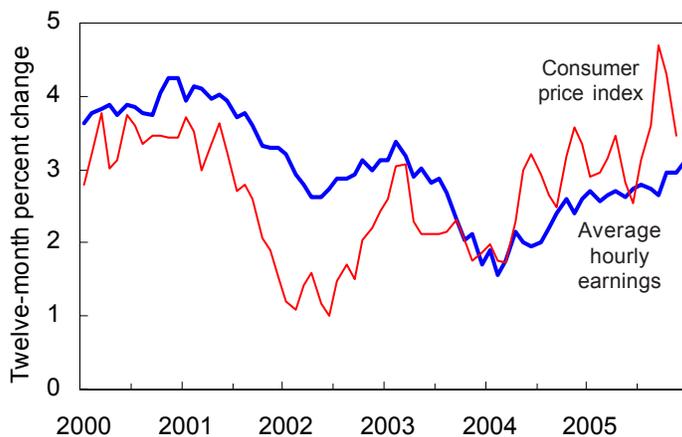
Total Nonfarm Payroll Employment



Source: Bureau of Labor Statistic, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

Average Hourly Earnings and the Consumer Price Index



Source: Bureau of Labor Statistic, U.S. Department of Labor.

- **Job growth slowed last month.** Total payroll employment at nonfarm establishments rose by 108,000 jobs in December. That followed a rebound in payroll growth of 305,000 jobs in November, according to revised estimates by the Department of Labor. Payrolls expanded by just 1.5 percent in the 12 months ending in December, and the 12-month growth rate has not exceeded 2 percent during the current recovery (see top chart).
- **Unemployment fell but labor force growth stagnated in December.** The civilian unemployment rate edged down by 0.1 percentage point to 4.9 percent last month. However, the percentage of the population in the labor force (those working or actively looking for work) dropped 0.1 percentage point to 66.0 percent. That rate is the same as it was at the end of 2004 and 1.2 percentage points lower than it was at the start of the recession in March 2001. The proportion of the population with a job was unchanged for the third consecutive month at 62.8 percent—1.5 percentage points below its level in March 2001.
- **Wage gains have been less than inflation.** The average hourly earnings of production and other nonsupervisory workers on private nonfarm payrolls rose by 0.3 percent last month, after growing 0.1 percent in November. Earnings were 3.1 percent higher than their level a year earlier, but consumer prices have been rising faster than wages this year (see bottom chart). That pattern is likely to persist when the December price data are released later this month.
- **A little over half of Katrina evacuees had returned home by December.** About 1.1 million people aged 16 and over were evacuated from their August residence as a result of Hurricane Katrina, according to estimates by the Department of Labor. By December, about 600,000 of those evacuees had returned to the homes they had occupied in August. The average unemployment rate in December was 12.4 percent for returning evacuees and 20.7 percent for those who had not returned home.

The Economy at a Glance	Dec	Nov	Oct	Sep	2005 Qtr 4	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	4.1	3.3	3.8	n.a.	4.2
Industrial Production (% growth)	n.a.	8.7	16.8	-17.6	n.a.	1.0	1.6	3.8	n.a.	4.1
Capacity Utilization (level, %)	n.a.	80.2	79.8	78.9	n.a.	79.8	79.9	79.9	n.a.	78.6
Civilian Unemployment Rate (level, %)	4.9	5.0	4.9	5.1	5.0	5.0	5.1	5.2	5.1	5.5
Housing Starts (thousands)	n.a.	2123	2017	2160	n.a.	2101	2044	2083	n.a.	1950
Real Disposable Personal Income (% growth)	n.a.	8.8	3.9	32.9	n.a.	-2.0	0.2	1.0 [#]	n.a.	3.1 [#]
Retail Sales (% growth)*	n.a.	3.1	4.0	3.7	n.a.	6.9	10.8	5.4	n.a.	7.3
Personal Saving Rate (level, %)	n.a.	-0.2	-0.2	-0.5	n.a.	-1.8	-0.2	0.5	n.a.	1.5 [#]
Inflation & Productivity										
CPI-U Inflation, all items (% growth)	n.a.	-7.0	2.4	15.4	n.a.	5.1	4.2	2.4	n.a.	2.7
Core CPI-U Inflation (% growth)	n.a.	2.4	2.4	1.2	n.a.	1.5	2.0	2.6	n.a.	1.8
Employment Cost Index (% growth)	—	—	—	—	n.a.	3.2	2.8	2.8	n.a.	3.9
Output per Hour (% growth)	—	—	—	—	n.a.	4.7	2.1	3.2	n.a.	3.4
Financial Markets										
T-bill Rate, 3-month (level, %)	3.89	3.88	3.71	3.42	3.83	3.36	2.86	2.54	3.15	1.37
T-note Rate, 10-years (level, %)	4.47	4.54	4.46	4.20	4.49	4.21	4.16	4.30	4.29	4.27
Federal Funds Rate (level, %)	4.16	4.00	3.78	3.62	3.98	3.46	2.94	2.47	3.22	1.35
Dow Jones Industrial Avg (index level)	10828	10695	10324	10533	10616	10544	10382	10648	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

Upcoming Economic Releases:

- **U.S. Import and Export Price Indexes: December 2005** [Release: Thursday, January 12]
- **U.S. International Trade in Goods and Services: November 2005** [Release: Thursday, January 12]
- **Monthly Treasury Statement of Receipts and Outlays of the U.S. Government: December 2005** [Release: Thursday, January 12]
- **Manufacturing and Trade Inventories and Sales: November 2005** [Release: Friday, January 13]
- **Producer Price Indexes: December 2005** [Release: Friday, January 13]
- **Advance Monthly Sales for Retail and Food Services: December 2005** [Release: Friday, January 13]